

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

3 APRIL 2013

CALL-IN: DISCRETIONARY BUSINESS RATE RELIEF

Report from: Mick Hayward, Chief Finance Officer

Author: Jon Poulson, Revenues & Benefits Manager
Julie Keith, Head of Democratic Services

Summary

This report advises the Committee of a notice of call-in received from the Labour Group of a Cabinet decision (61/2013) not to create a local discretionary rate relief system at this time. The Committee must consider the Cabinet decision and decide either to take no further action or to refer the decision back to Cabinet for reconsideration.

1. Budget and Policy Framework

- 1.1 In accordance with Chapter 4, part 5, paragraph 16.3 of the constitution with regard to decisions, Cabinet decision 61/2013 has been called-in to this Committee by six Members of the Labour Group.
- 1.2 The Labour Group has called-in the decision in light of representations made by independent retailers of Chatham Town Centre, a copy of which are attached to this report at Appendix 2 together with the related Cabinet report at Appendix 1.

2. Background

- 2.1 The Cabinet considered this matter on 12 March 2013 and made the following decisions:

60/2013 The Cabinet agreed to continue to adopt the guidelines shown at appendices 1, 2 and 3 to the report, noting that the over-riding criteria at Appendix 1(v) requires there to be evidence of a positive impact for the community of Medway.

61/2013 The Cabinet agreed not to create a local discretionary rate relief system at this time.

Reasons:

Relief from business rates where appropriate is a crucial factor in the survival of many voluntary organisations that support the educational, cultural and economic well being of the Medway area. An equitable and affordable procedure for the award of such relief is a necessary part of the Council's administrative process.

Until an appropriate set of circumstances arises it is not possible to formulate guidelines or budgetary implications to support the introduction of a new local relief.

3. Director's response

- 3.1 Whilst the Council has the ability to award such local discretionary business rate discounts as it sees fit, in doing so it must be satisfied that these are reasonable, having regard to the wider interests of persons liable to pay council tax set by it.
- 3.2 The total business rate bill for Chatham Town Centre is approximately £6.7million, and 49% of cost of any relief would fall on Medway Council. The individual liabilities after any other reliefs or exemptions range from £0 to £282,600. The average bill is £14,735 and the median amount £5,299. The total liability of the 31 signatories to Mr Frais' petition is £282,560, an average of £9,115.
- 3.3 The risks associated with the award of this relief are:
 - a) Other traders throughout the Medway area may consider the award unfair and discriminatory. If the Council were to extend this scheme throughout the area the cost would rise substantially.
 - b) If a discount is applied without taking into account the individual circumstances of traders, it is possible that the discount could be awarded to relatively successful businesses at the expense of taxpayers. This would be at a time when welfare reform changes mean a large number of taxpayers will be paying council tax for the first time in many years.
 - c) The council could be awarding discounts to poorly run businesses that in other circumstances would be profitable and not need such support.
 - d) The award of a discount may discourage business ratepayers from renegotiating rents.

4. Risk Management

4.1 Risk management is addressed in paragraph 7 of the Cabinet report

5. Financial and legal implications

5.1 The financial implications are within the attached Cabinet report at appendix 1.

5.2 In accordance with rule 16.3 of the constitution, six members of the Council may call in a decision for scrutiny by the relevant Overview and Scrutiny Committee.

6. Recommendations

6.1 The Committee is asked to consider the called-in Cabinet decisions and decide either to accept the Cabinet decision 61/2013 set out in paragraph 2.1 of this report and to take no further action or refer the decisions back to Cabinet for reconsideration.

Lead officer contact

Jon Poulson
Revenues & Benefits Manager
Finance – MRBS
Business Support Department
01634 333700
jon.poulson@medway.gov.uk

Background papers

As set out in the Cabinet report at Appendix 1